

## Internal Revenue Service

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## Department of the Treasury

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January 19, 2012

TY:

### Legend

Distributing =

StateA =

Date1 =

EntityA =

StateB =

Sub1 =

StateC =

Sub2 =

StateD =

CountryA =

Date2 =

Z# =

ZBusiness =

BusSegment1 =

YBusiness =

BusSegment2 =

BusSegment3 =

BusSegment4 =

Controlled =

Date3 =

Dear :

This letter responds to your September 21, 2011 request for rulings on certain federal income tax consequences of the Proposed Transaction (described below). The information provided in that letter and in later correspondence is summarized below.

The rulings contained in this letter are based on facts and representations submitted by the taxpayer and accompanied by a penalty of perjury statement executed by the appropriate parties. This office has not verified any of the materials submitted in support of the request for rulings. Verification of the information, representations, and other data may be required as part of the audit process. In particular, this office has not reviewed any information pertaining to, and has made no determination regarding, whether the Proposed Transaction: (i) satisfies the business purpose requirement of §1.355-2(b) of the Income Tax Regulations; (ii) is used principally as a device for the distribution of the earnings and profits of the distributing corporation or the controlled corporation or both (see section 355(a)(1)(B) of the Internal Revenue Code (the "Code") and §1.355-2(d)); or (iii) is part of a plan (or series of related transactions) pursuant to which one or more persons will acquire directly or indirectly stock representing a 50-percent or greater interest in the distributing corporation or the controlled corporation (see section 355(e) and §1.355-7).

## SUMMARY OF FACTS

Distributing is a widely held, publicly traded StateA corporation with a single class of common stock outstanding (“Distributing Common Stock”). Distributing is the common parent of an affiliated group of corporations that files a consolidated U.S. Federal income tax return (the “Distributing Group”). The Distributing Group has a fiscal year ending on Date1, and uses the accrual method of accounting.

Distributing directly owns all of EntityA, a StateB limited liability company that is disregarded as an entity separate from Distributing for U.S. Federal income tax purposes.

Distributing also directly owns all of Sub1, a corporation organized under the laws of the state of StateC, which in turn directly owns all of Sub2, a corporation organized under the laws of StateD, CountryA.

On Date2, Distributing’s board of directors authorized the repurchase of up to Z# shares of Distributing Common Stock at prevailing market prices (the “Share Repurchase Program”). The authorization has no expiration date. From time to time, Distributing repurchases Distributing Common Stock, pursuant to the Share Repurchase Program that meets the requirements of section 4.05(1)(b) of Rev. Proc. 96-30, 1996-1 C.B. 696.

Distributing is primarily engaged in ZBusiness both directly and indirectly through members of the Distributing Group. The businesses conducted by the Distributing Group are generally organized into various business segments, including: (1) BusSegment1 or the YBusiness; (2) BusSegment2; (3) BusSegment3; and (4) BusSegment4 (collectively, segments (2) – (4) are referred to as the “Retained Active Businesses”).

The YBusiness’s products are manufactured domestically and in CountryA. EntityA conducts the domestic portion of the YBusiness. Sub2 conducts the portion of the YBusiness located in CountryA.

Financial information has been submitted which indicates that the YBusiness and the Retained Active Businesses, as currently conducted, have had gross receipts and operating expenses representing the active conduct of a trade or business for each of the past 5 years.

### PROPOSED TRANSACTION

For what are represented to be valid business reasons, Distributing proposes to undertake the following series of transactions pursuant to a plan of reorganization (the “Proposed Transaction”):

1. Distributing will form Controlled, a direct wholly owned subsidiary of Distributing organized under the laws of StateA. Controlled will have a single class of common stock outstanding ("Controlled Common Stock").
2. Controlled will borrow funds from one or more unrelated third parties (the "Controlled Credit Facility"). Distributing will contribute all of the equity interest in EntityA to Controlled in exchange for additional shares of Controlled Common Stock, newly issued debt securities of Controlled (the "Controlled Debt Securities") and a portion of the proceeds from the Controlled Credit Facility (the "Controlled Contribution").

As soon as reasonably practicable after the Proposed Transaction (but, in any event, no more than 12 months after the Distribution) Distributing will transfer the portion of the cash proceeds from the Controlled Credit Facility it receives from Controlled to its creditors in repayment of existing Distributing debt that was or will be incurred in the ordinary course of Distributing's business, and not in connection with the Proposed Transaction.

3. Controlled will use all or a portion of the borrowing proceeds it retains from the Controlled Credit Facility to acquire the portion of the YBusiness located in CountryA from Sub2 through either a direct or indirect stock or asset purchase.
4. Distributing will distribute at least 80% of the Controlled Common Stock *pro rata* to its shareholders (the "Distribution") and will retain no more than 20% of the Controlled Common Stock (the "Retained Shares"; the retention of the Retained Shares by Distributing is referred to herein as the "Share Retention"). Distributing will determine the exact number of shares of Controlled Common Stock that it will retain in the Share Retention (which, in any event, will be no more than 20% of the Controlled Common Stock) closer to the time of the Distribution.
5. Before or after any of the foregoing, Distributing will borrow cash from one or more financial institutions (the "Distributing Debt").

No less than 5 days after Distributing incurs any Distributing Debt, Distributing and the financial institution(s) then holding the Distributing Debt may enter into (a) an exchange agreement (the "Debt for Debt Exchange Agreement") pursuant to which the parties agree to exchange an amount of Distributing Debt to be determined by the parties bargaining at arm's length for Controlled Debt Securities, and/or (b) an exchange agreement (the "Equity for Debt Exchange Agreement") pursuant to which the parties agree to exchange an amount of Distributing Debt to be determined by the parties bargaining at arm's length for all or a portion of the Retained Shares. None of the parties will be under any obligation to execute the Debt for Debt Exchange Agreement or the Equity for Debt Exchange Agreement.

In accordance with the rules and regulations governing bank lending institutions, it is anticipated that some or all of such financial institution(s) will transfer their interests in the Distributing Debt to one or more entities affiliated with such financial institution(s) at a time when the financial institution(s) have held the Distributing Debt for no less than 5 days and prior to the Debt for Debt Exchange or Equity for Debt Exchange (as defined below) (the "Intra-Financial Institution Transfer"). If the Debt for Debt Exchange Agreement or Equity for Debt Exchange Agreement has been entered into by a transferor financial institution(s) prior to an Intra-Financial Institution Transfer, then, in addition to transferring their interests in the Distributing Debt, such financial institution(s) shall also transfer, to the affiliate to which they are transferring the Distributing Debt, their rights under the applicable Debt for Debt Exchange Agreement or Equity for Debt Exchange Agreement and Offering Agreement (as defined below).

Concurrently with the execution of the Debt for Debt Exchange Agreement, it is expected that Controlled and the financial institution(s) that are acquiring the Controlled Debt Securities from Distributing pursuant to the Debt for Debt Exchange Agreement will enter into the Controlled Offering Agreement, which will confirm the parties' agreements regarding certain conditions of the Debt for Debt Exchange and a subsequent resale of the Controlled Debt Securities by such financial institution(s). In addition, the Controlled Offering Agreement requires Controlled to pay, on the closing of the Debt for Debt Exchange, an "offering fee" to the financial institution(s) that are acquiring the Controlled Debt Securities from Distributing pursuant to the Debt for Debt Exchange Agreement. The Controlled Offering Agreement does not create any debt instrument.

6. At a time when the financial institution(s) (and/or their affiliates) have held the Distributing Debt as principals for at least 14 days, (a) if a Debt for Debt Exchange Agreement has been entered into, Distributing will transfer the Controlled Debt Securities to the financial institution(s) in repayment of all or a portion of the Distributing Debt (the "Debt for Debt Exchange"), and (b) if an Equity for Debt Exchange Agreement has been entered into, Distributing will transfer all or a portion of the Retained Shares to the financial institution(s) in repayment of all or a portion of the Distributing Debt (the "Equity for Debt Exchange"). It is anticipated that the financial institution(s) (or their affiliates) immediately would sell the Controlled Debt Securities received in the Debt for Debt Exchange and the Retained Shares received in the Equity for Debt Exchange.

7. If market conditions are conducive, Distributing, pursuant to the plan that includes the Distribution, intends to transfer any Retained Shares not transferred pursuant to an Equity for Debt Exchange to its shareholders in exchange for shares of Distributing Common Stock (the "Share Repurchase"). Any Share Repurchase will in no event be completed later than 12 months following the Distribution. Any of the Retained Shares not disposed of pursuant to the Equity for Debt Exchange or the Share Repurchase will be disposed of as soon as is commercially practicable, but in any event not later than 5 years after the Distribution.

At the time of the Distribution, it is expected that the outstanding Distributing compensatory equity awards (e.g., options to purchase Distributing stock, stock appreciation rights, and restricted stock equivalent awards) held by Controlled's current employees who remain Controlled employees after the distribution date and former Controlled employees, will be converted to Controlled compensatory equity awards that relate solely to Controlled Common Stock in a manner designed to reflect the intrinsic value of such awards at the time of separation.

Distributing and Controlled plan to enter into a separation and distribution agreement (the "SDA"), a tax allocation agreement (the "Tax Allocation Agreement"), an employee matters agreement (the "EMA"), and a transition services agreement (the "TSA") with respect to the Distribution (the SDA, Tax Allocation Agreement and EMA, collectively, the "Separation Agreements").

In connection with or following the Distribution, Distributing and Controlled may enter into certain co-manufacturing agreements (the "Commercial Agreements," and together with the Separation Agreements, the "Continuing Arrangements"). Pursuant to these Commercial Agreements, Distributing and Controlled may provide manufacturing services for the other party with respect to specifically identified products. The pricing and any other terms of any such Commercial Agreement will reflect arm's length terms.

## REPRESENTATIONS

The taxpayer makes the following representations with respect to the Proposed Transaction:

- (a) Except as provided in the Controlled Offering Agreement and the SDA, each of the parties will pay its own expenses, if any, incurred in connection with the Proposed Transaction.
- (b) Other than the Controlled Debt Securities to be held by Distributing prior to the Debt for Debt Exchange or other disposition thereof, indebtedness, if any, owed by Controlled to Distributing after the Distribution will not constitute stock or securities.
- (c) Except with respect to Controlled compensatory equity awards received in respect of Distributing compensatory equity awards, no part of the consideration to be distributed in the Distribution will be received by a shareholder as a creditor, employee, or in any capacity other than that of a shareholder of Distributing.
- (d) Distributing and Controlled will each treat all members of its respective separate affiliated group (as defined in Section 355(b)(3)(B)) ("SAG") as one corporation in determining whether it meets the requirements of Section 355(b)(2)(A) regarding the active conduct of a trade or business.

(e) The five years of financial information submitted on behalf of the Retained Active Businesses, as conducted by the Distributing SAG, is representative of the present operations of the Retained Active Businesses, and with regard to such businesses, there have been no substantial operational changes since the date of the last financial statements submitted.

(f) The five years of financial information submitted on behalf of the YBusiness is representative of the present operations of the YBusiness, and with regard to such business, there have been no substantial operational changes since the date of the last financial statements submitted.

(g) Neither the Retained Active Businesses nor the YBusiness nor control of an entity conducting any of the businesses was acquired during the five-year period ending on the date of the Distribution in a transaction in which gain or loss was recognized (or treated as recognized) in whole or in part.

(h) Following the Distribution, each of the Distributing SAG and the Controlled SAG will continue the active conduct of its business(es), independently and with its separate employees.

(i) The Distribution is being carried out in order to: (i) cause the aggregate value of the stock of Distributing and Controlled to exceed the pre-distribution value of Distributing stock, and such increase is expected to provide Distributing and/or Controlled with separate “currencies” that will enable them to further their growth through M&A activity and to better incentivize their respective employees, (ii) enhance the success of the separated businesses by resolving management, systemic, strategic and/or other problems that arise (or are exacerbated) by Distributing’s operation of different businesses within a single affiliated group, and (iii) enable each of the resulting public corporations to implement a capital structure that is tailored to the needs of the businesses which it operates (collectively, the “Corporate Business Purposes”). The Distribution is motivated, in whole or substantial part, by one or more of the Corporate Business Purposes.

(j) The Distribution is not used principally as a device for the distribution of the earnings and profits of Distributing or Controlled or both.

(k) There is no plan or intention to liquidate either Distributing or Controlled, to merge either corporation with any other corporation, or to sell or otherwise dispose of the assets of either corporation after the Distribution, except for (a) in the ordinary course of business, (b) dispositions of Controlled Debt Securities transferred pursuant to the Debt for Debt Exchange or otherwise, or (c) dispositions of the Retained Shares transferred pursuant to the Equity for Debt Exchange or the Share Repurchase, or otherwise.

(l) The total adjusted bases and the fair market value of the assets transferred to Controlled in the Controlled Contribution will each equal or exceed the sum of (i) the amount of any liabilities assumed (within the meaning of section 357(d)) by Controlled in the Controlled Contribution and (ii) the total amount of money and the fair market value of any other property (within the meaning of section 361(b)) received by Distributing from Controlled and transferred to its creditors in connection with the reorganization. The fair market value of the assets of Controlled will exceed the amount of its liabilities immediately after the Controlled Contribution.

(m) The liabilities assumed (within the meaning of section 357(d)) by Controlled in the Controlled Contribution were incurred in the ordinary course of business and are associated with the assets transferred.

(n) No property will be transferred between Distributing and Controlled for which an investment credit allowed under section 46 has been or will be claimed.

(o) Distributing neither accumulated its receivables nor made extraordinary payment of its payables in anticipation of the Distribution.

(p) No intercorporate debt will exist between Distributing and Controlled at the time of, or subsequent to, the Distribution, except for (i) the Controlled Debt Securities, if any, held by Distributing prior to the Debt for Debt Exchange or other disposition thereof, or (ii) payables arising under the Continuing Arrangements or otherwise in the ordinary course of business.

(q) Immediately before the Distribution, items of income, gain, loss, deduction and credit will be taken into account as required by the applicable intercompany transaction regulations (See §1.1502-13 and §1.1502-14 as in effect before the publication of T.D. 8597, 1995-32 I.R.B. 6, and as currently in effect; §1.1502-13 as published by T.D. 8597). Further, Distributing's excess loss account, if any, with respect to the Controlled Common Stock will be included in income immediately before the Distribution (See §1.1502-19).

(r) Except for any payments that will be made in connection with the Separation Agreements, which may be based on costs, payments made in connection with all continuing transactions, if any, between Distributing and Controlled will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length.

(s) No two parties to the Distribution are investment companies as defined in section 368(a)(2)(F)(iii) and (iv).

(t) The Distribution is not a part of a plan or series of related transactions (within the meaning of Treas. Reg. §1.355-7) pursuant to which one or more persons will acquire



directly or indirectly stock representing a 50% or greater interest (within the meaning of section 355(d)(4)) in Distributing or Controlled (including any predecessor or successor of any such corporation).

(u) For purposes of section 355(d), immediately after the Distribution, no person (determined after applying section 355(d)(7)) will hold stock possessing 50% or more of the total combined voting power of all classes of Distributing stock entitled to vote, or 50% or more of the total value of shares of all classes of Distributing stock, that was acquired by purchase (as defined in section 355(d)(5) and (8)) during the five-year period (determined by applying section 355(d)(6)) ending on the date of the Distribution.

(v) For purposes of section 355(d), immediately after the Distribution, no person (determined after applying section 355(d)(7)) will hold stock possessing 50% or more of the total combined voting power of all classes of Controlled stock entitled to vote, or 50% or more of the total value of shares of all classes of Controlled stock, that was either (i) acquired by purchase (as defined in section 355(d)(5) and (8)) during the five-year period (determined by applying section 355(d)(6)) ending on the date of the Distribution, or (ii) attributable to distributions on Distributing stock that was acquired by purchase (as defined in section 355(d)(5) and (8)) during the five-year period (determined by applying section 355(d)(6)) ending on the date of the Distribution.

(w) Immediately after the Distribution, neither Distributing nor Controlled will be a “disqualified investment corporation” as defined in section 355(g)(2)(A).

(x) The total fair market value of the assets that Distributing will transfer to Controlled will exceed the sum of: (a) the amount of any liabilities assumed (within the meaning of section 357(d)) by Controlled in connection with the exchange, (b) the amount of any liabilities owed to Controlled by Distributing (if any) that are discharged or extinguished in connection with the exchange, and (c) the amount of any cash and the fair market value of any property (other than stock and securities permitted to be received under section 361(a) without the recognition of gain) received by Distributing from Controlled (if any) in connection with the exchange. The fair market value of the assets of Controlled will exceed the amount of its liabilities immediately after the exchange.

(y) Controlled may adopt the Controlled Rights Agreement, pursuant to which, in the Distribution, Distributing may distribute a Controlled Right with each share of Controlled Common Stock, which such Controlled Right will trade together with the shares of Controlled Common Stock until and unless certain events occur as described in the Controlled Rights Agreement. Any such Controlled Rights will be the type of rights described in Rev. Rul. 90-11, 1990-1 C.B. 10.

(z) The Controlled Debt Securities issued to Distributing in connection with the Controlled Contribution will qualify as “securities” within the meaning of section 361(a).

(aa) Distributing will dispose of any Controlled Debt Securities not transferred to its creditors in connection with the Distribution within 12 months following the Distribution.

(bb) Within 12 months following the Distribution, Distributing will transfer the cash proceeds of the Controlled Credit Facility received from Controlled to its creditors.

(cc) The aggregate amount of Distributing Debt repaid with Controlled Debt Securities, Retained Shares, and proceeds of the Controlled Credit Facility will not exceed the weighted quarterly average of Distributing's external debt for the 12-month period ending on the close of business on Date3, the last day of the calendar quarter before the date on which Distributing's board of directors agreed in principle to separate Distributing and the YBusiness in a tax-free spin-off.

(dd) Any payment of cash in lieu of fractional shares of Controlled Common Stock is solely for the purpose of avoiding the expense and inconvenience to Controlled of issuing and maintaining fractional shares and will not represent separately bargained for consideration. The total cash that will be paid in the transaction to shareholders in lieu of fractional shares of Controlled Common Stock will not exceed 1% of the total consideration that will be distributed in the Proposed Transaction. The fractional share interests of each Distributing shareholder will be aggregated, and it is intended that no Distributing shareholder will receive cash in an amount equal to or greater than the value of one full share of Controlled Common Stock.

(ee) Distributing is undertaking the Share Retention in order to achieve several non-tax corporate business purposes, including: (i) enabling Distributing to repurchase shares of Distributing Common Stock following the Distribution without jeopardizing its investment grade credit rating, which share repurchases are intended to further increase the aggregate equity value of Distributing and Controlled, and (ii) minimizing short-term volatility in the trading price of Controlled Common Stock that may otherwise occur following the Distribution as Controlled experiences a transitional period in attracting an investor base that reflects the unique characteristics of its businesses.

(ff) The Retained Shares will be transferred to creditors of Distributing in repayment of all or a portion of the Distributing Debt pursuant to the Equity for Debt Exchange and/or shareholders of Distributing in exchange for shares of Distributing Common Stock pursuant to the Share Repurchase, in each case, within 12 months of the Distribution. In the event that any Retained Shares are not transferred to creditors pursuant to the Equity for Debt Exchange or shareholders of Distributing pursuant to the Share Repurchase, such Retained Shares will be disposed of as soon as is commercially practicable, but in any event not later than five years after the Distribution.

(gg) Distributing will vote the Retained Shares in proportion to the votes cast by Controlled's other shareholders and will grant Controlled a proxy with respect to such Retained Shares requiring such manner of voting.

(hh) From the date of the Distribution until the disposition of the Retained Shares by Distributing, no director or officer of Distributing or any of its subsidiaries will be a director or officer of Controlled or any of its subsidiaries.

## RULINGS

Based on the information submitted and the representations made, we rule as follows:

1. The Controlled Contribution, taken together with the Distribution and any Share Repurchase, will qualify as a reorganization within the meaning of section 368(a)(1)(D). Controlled and Distributing will each be “a party to a reorganization” within the meaning of section 368(b).
2. Distributing will recognize no gain or loss with respect to the Controlled Contribution. Section 357(a) and section 361(a) and (b)(3).
3. Controlled will recognize no gain or loss with respect to the Controlled Contribution. Section 1032(a).
4. Controlled’s basis in each asset received in the Controlled Contribution will be the same as the basis of the asset in the hands of Distributing immediately before the Controlled Contribution. Section 362(b).
5. Controlled’s holding period in each asset received in the Controlled Contribution will include the period during which Distributing held such asset. Section 1223(2).
6. Distributing will recognize no gain or loss on the distribution of Controlled Common Stock in the Distribution. Section 361(c)(1).
7. No gain or loss will be recognized by (and no amount will be included in the income of) Distributing shareholders upon the receipt of the Controlled Common Stock in the Distribution. Section 355(a)(1).
8. The aggregate basis of the Distributing Common Stock and Controlled Common Stock in the hands of each Distributing shareholder immediately after the Distribution (including any fractional share interests in Controlled Common Stock to which the shareholder may be entitled) will equal the aggregate basis of the Distributing Common Stock held by such Distributing shareholder immediately before the Distribution, allocated in the manner described in §1.358-2. Section 358(a)(1), (b) and (c); §1.358-1(a).
9. Each Distributing shareholder’s holding period in the Controlled Common Stock received in the Distribution (including any fractional share interests in Controlled

Common Stock to which the shareholder may be entitled) will include the holding period of the Distributing Common Stock with respect to which the distribution of the Controlled Common Stock is made, provided that the Distributing Common Stock is held as a capital asset on the date of the Distribution. Section 1223(1).

10. The receipt by Distributing shareholders of cash in lieu of fractional shares of Controlled Common Stock will be treated for Federal income tax purposes as if the fractional shares had been distributed to the Distributing shareholders as part of the Distribution and then disposed of by such shareholders for the amount of such cash in a sale or exchange. The gain (or loss) recognized, if any (determined using the bases allocated to the fractional shares in ruling (8)), will be treated as capital gain (or loss), provided the stock was held as a capital asset by the selling shareholder. Section 1001. Such gain or loss will be short-term or long-term capital gain (or loss) (determined using the holding period provided in ruling (9)).

11. Earnings and profits (if any) will be allocated between Distributing and Controlled in accordance with Section 312(h) and §§1.312-10(a) and 1.1502-33.

12. Except for purposes of section 355(g), payments made between any of Distributing and Controlled and their respective affiliates under any of the Separation Agreements regarding liabilities, indemnities, or other obligations that (i) have arisen or will arise for a taxable period ending on or before the Distribution and (ii) will not become fixed and ascertainable until after the Distribution, will be viewed as occurring before the Distribution. Arrowsmith v. Commissioner, 344 U.S. 6 (1952); Rev. Rul. 83-73, 1983-1 C.B. 84.

13. Distributing will recognize no gain or loss on the distribution of the Controlled Debt Securities in the Debt for Debt Exchange, other than (i) deductions attributable to the fact that the Distributing Debt may be redeemed at a premium, (ii) income attributable to the fact that the Distributing Debt may be redeemed at a discount, and (iii) interest expense accrued with respect to the Distributing Debt. Section 361(c).

14. Provided the Retained Shares are transferred to Distributing's creditors pursuant to the Equity for Debt Exchange within 12 months following the Distribution, Distributing will recognize no gain or loss on the transfer of Retained Shares pursuant to the Equity for Debt Exchange, other than (i) deductions attributable to the fact that the Distributing Debt may be redeemed at a premium, (ii) income attributable to the fact that the Distributing Debt may be redeemed at a discount, and (iii) interest expense accrued with respect to the Distributing Debt. Section 361(c).

15. Provided the Retained Shares are transferred to Distributing's shareholders pursuant to the Share Repurchase within 12 months following the Distribution, Distributing will recognize no gain or loss on the transfer of Retained Shares pursuant to the Share Repurchase. Section 361(c).

16. Provided the Retained Shares are transferred to Distributing's shareholders pursuant to the Share Repurchase within 12 months following the Distribution, no gain or loss will be recognized by (and no amount will be included in the income of) Distributing shareholders upon the exchange of Distributing Common Stock for Retained Shares in the Share Repurchase. Section 355(a)(1).

17. In the case of any exchange pursuant to the Share Repurchase, immediately after the exchange, a Distributing shareholder who receives Controlled Common Stock in the Share Repurchase will have an aggregate adjusted basis in such Controlled Common Stock equal to the aggregate adjusted basis of the shareholder's Distributing Common Stock surrendered in the Share Repurchase, allocated in the manner described in §1.358-2. Section 358(a) and (b); §1.358-1(a).

18. In the case of any exchange pursuant to the Share Repurchase, the holding period of Controlled Common Stock received by a Distributing shareholder in the Share Repurchase will include the holding period of the Distributing Common Stock surrendered in exchange therefor, provided that the Distributing Common Stock is held as a capital asset on the date of the Share Repurchase. Section 1223(1).

#### CAVEATS

We express no opinion about the tax treatment of the Proposed Transaction under other provisions of the Code and regulations or the tax treatment of any conditions existing at the time of, or effects resulting from, the Proposed Transaction that is not specifically covered by the above rulings. In particular, we express no opinion regarding:

(i) whether the Proposed Transaction satisfies the business purpose requirement of §1.355-2(b);

(ii) whether the Proposed Transaction is used principally as a device for the distribution of the earnings and profits of the distributing corporation or the controlled corporation or both (see section 355(a)(1)(B) and §1.355-2(d));

(iii) whether the Proposed Transaction is part of a plan (or series of related transactions) under section 355(e)(2)(A)(ii);

(iv) whether any Debt for Debt Exchange or Equity for Debt Exchange will give rise to deductions, income or interest expense;

(v) the tax treatment of any disposition of Retained Shares that are not disposed of pursuant to the Equity for Debt Exchange or the Share Repurchase within 12 months of the Distribution; and

(vi) the tax treatment of any disposition of Controlled Debt Securities by Distributing that is not pursuant to the Debt for Debt Exchange.

#### PROCEDURAL STATEMENTS

This ruling is directed only to the taxpayer who requested it. Section 6110(k)(3) provides that it may not be used or cited as precedent. A copy of this letter must be attached to any income tax return to which it is relevant. Alternatively, taxpayers filing their returns electronically may satisfy this requirement by attaching a statement to their return that provides the date and control number of this letter ruling.

In accordance with a power of attorney on file in this office, a copy of this ruling letter is being sent to your authorized representative.

Sincerely,

Thomas I. Russell  
Thomas I. Russell  
Senior Counsel, Branch 1  
Office of Associate Chief Counsel  
(Corporate)

cc: